



Credit Union National Association

[cuna.org](http://cuna.org)

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January 22, 2009

The Honorable Max Baucus  
Chairman  
Senate Finance Committee  
Unites States Senate  
Washington, DC 20510

The Honorable Charles Grassley  
Ranking Member  
Senate Finance Committee  
Unites States Senate  
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Grassley:

Yesterday, the New York Federal Reserve Board President Timothy F. Geithner testified before your Committee regarding his nomination to be Secretary of the U.S. Treasury. In light of the highly significant role Treasury plays in the oversight of credit unions and issues important to credit unions, the Credit Union National Association is pleased to submit this letter for your consideration. CUNA is the largest credit union advocacy organization representing almost 90% of the nation's 8,200 state and federal credit unions that serve more than 91 million members/accountholders. There are 60 credit unions in Montana and 141 in Iowa.

In our view, Mr. Geithner's distinguished background and renowned expertise make him singularly well-qualified for this position. We encourage his timely confirmation.

In the context of your review of his qualifications, we also urge you to consider credit unions' concerns about the implementation of the Troubled Assets Purchase Program (TARP) as well as the need for assistance for home mortgage borrowers in need of relief.

### **Treasury Has Ignored the Law and the Needs of Credit Unions**

The U.S. Treasury is the agency charged with implementing the Emergency Economic Stabilization Act (EESA), and the new Secretary determines the use of TARP funds to mitigate the economic crisis. A number of policymakers have raised concerns that we share regarding Treasury's implementation of EESA to date.

Regrettably, the Treasury's complete disregard and unwillingness to consider assistance for credit unions under EESA is a prime example of the arbitrary decisions that have been the hallmark of the agency's implementation of the TARP under Treasury Secretary Paulson.

In general, credit unions are doing well and working hard to make funds for loans available to individuals and member businesses, to the extent statutory limitations permit. However, there are credit unions in such states as California, Arizona, Nevada, and Florida that have been seriously hurt by the impact of the problems in their markets.



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Yet, while EESA clearly includes credit unions among the institutions that should be eligible for TARP assistance, there has been NO serious consideration at Treasury of credit unions' needs for TARP relief. (There is also a provision in EESA that Treasury "shall take into consideration...ensuring that all financial institutions are eligible to participate in the program, without discrimination based on size, geography, form of organization...." This provision has been ignored by the agency.)

Meanwhile, the largest as well as very small banks have received TARP assistance without any coherent rationale for which ones were selected or an understanding of how the funds would be used. One of the results of the TARP funding for the banks and others has been to subsidize more attractive rates on savings than mutual institutions in some areas are able to match.

We are not opposing TARP assistance for others, and we are hopeful that the recipients will soon begin to help their communities by providing loans. However, it is important for the credit union system that the National Credit Union Administration is able to work with the Treasury Department to ensure credit unions that need access to TARP assistance are able to get it.

In addition, we urge the establishment, as quickly as possible, of the troubled asset purchase program, which was the centerpiece of EESA. In light of accounting considerations and safety and soundness concerns, such a program could be significant in helping to stabilize the financial markets by establishing a value for problem mortgages and asset-based securities. We also want to work with Congress, the Treasury, and NCUA to ensure any assistance credit unions receive through TARP or from NCUA could be included as capital, as banks are able to do for the government funds they receive.

#### **Help for Troubled Home Owners**

We also recognize the need for help for troubled homeowners. In that connection, we support efforts from Congress and the new Administration to ensure institutions are encouraged to work with eligible home owners to achieve reasonable mortgage loan modifications so that borrowers can remain in their homes.

The issues Congress and the Administration must address are among the most difficult our nation has encountered. We appreciate your leadership in seeking solutions that will help our economy, including credit unions, and thank you for your attention to the concerns CUNA raises on behalf of credit unions and their members.

Sincerely,

A handwritten signature in black ink that reads "Daniel A. Mica". The signature is written in a cursive style with a large initial "D" and "M".

Daniel A. Mica  
President and CEO

cc: Ms. Tracie Kenyon, Montana Credit Union Network President  
Mr. Pat Jury, Iowa Credit Union League President